

Resistance is futile? The impact of disruptive protest in the 'silver age of permanent austerity'

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**Resistance is futile? The impact of disruptive protest in the ‘silver age of permanent
austerity’**

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Abstract. This article contributes to the debate within the comparative political economy literature regarding the viability of market-correcting policy preferences under global socio-economic constraints. The existing literature has thus far focused predominantly on moderate, institutional, elite-oriented forms of contention over welfare policy reform. The article presents evidence that disruptive, innovative, or elite-challenging forms of contention play an important role in welfare reform and should therefore be the subject of more sustained research. Pooled time-series cross-sectional analysis provides support for the claim that this more disruptive type of contention has a more significant and consistent impact upon the process of welfare reform than the institutional and moderate forms of contention that are more frequently studied (especially under adverse economic conditions and heightened levels of global socio-economic pressure). This is because: (a) participants in acts of institutional, elite-oriented, forms of contention more readily accede to elite discourse when it is asserted that welfare retrenchment measures are ‘necessary’; and (b) moderate, elite-oriented, activities are more easily ignored by policymakers.

Resistance is futile? The impact of disruptive protest in the ‘silver age of permanent austerity’

The ongoing debate surrounding the restructuring of the welfare state raises key questions for contemporary advanced industrial democracies. To what degree does it remain possible for democracies to decide upon a particular configuration of welfare policies (and a related socio-economic settlement); and to what extent do global economic constraints preclude the realisation of particular policy options? The importance of addressing these questions is arguably heightened by recent waves of government austerity measures and accompanying popular protest following the onset of global economic crisis in 2007/8. This article addresses these questions with a specific focus on the determinants of welfare expansion/retrenchment, and the role of elite-challenging forms of contestation (such as protests and occupations) upon that process. Whereas the role of popular mobilisation and protest in inhibiting welfare retrenchment is commonly noted (Pierson, 1994, 1996), empirical research in the field of comparative political economy has tended to focus on the impact of more institutional forms of political activity, such as party competition and trade union density, in determining welfare reform outcomes. This article argues that the impact of institutional factors is significantly outweighed by that of disruptive, innovative, and elite-challenging forms of political activity, and that this is increasingly so under adverse socio-economic conditions. I argue that this is due to the tendency for more institutional forms of opposition (or ‘institutional veto points’) to become ineffective during times of low economic growth and recession, and heightened global socio-economic pressure, as participants in more moderate, elite-oriented, forms of contention both accede to elite discourse regarding the ‘necessity’ of retrenchment measures in the light of poor economic performance, and are more easily ignored by policymakers. This argument is supported by pooled time-series cross-sectional analysis which suggests that (the capacity for) disruptive, innovative, and elite-challenging forms of contestation have a consistently more significant impact than a range of other institutional factors typically studied within the comparative political economy literature (with the more commonly studied factors being either ineffective when controlling for socio-economic conditions, or tending to become less effective under adverse socio-economic conditions). The case is therefore made for further research into welfare reform and especially the use, and collection, of more detailed data documenting the frequency and impact of elite-challenging acts of contestation.

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3 **1. Global socio-economic conditions and the viability of market-correcting preferences**
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7 Perhaps the central concern of the comparative political economy literature is the degree to
8 which political preferences are able to be *effectively* expressed within particular socio-
9 economic contexts. Contributions to this literature began in the 1990s to highlight the way
10 that indicators of ‘globalisation’, such as global economic integration, capital mobility and
11 trade limited the viability of those political preferences which sought to vary from the ‘liberal’
12 model of a socio-economic/welfare regime (Rodrik, 1997; Ohmae, 1995; Gray, 1998; Mishra,
13 1999). Such ‘market-correcting’ preferences were no longer considered viable, as their
14 realisation was precluded either by global economic integration (‘globalisation’) or other
15 constraining factors such as deindustrialization (Iversen and Cusack, 2000), unemployment
16 (Schmitt and Wadsworth, 1993), European integration (Scharpf, 1997), or demographic aging
17 (Taverne, 1995; Ezrati, 1997). In response to these somewhat pessimistic conclusions, much
18 of the subsequent comparative political economy literature proceeded to highlight the
19 *continued* capacity for mediating factors to limit the impact of global socio-economic
20 constraints, and for market-correcting political preferences to therefore continue to be viable
21 (especially when expressed in a particular form or within a certain context). Thus, ongoing
22 contributions to the comparative political economy literature have highlighted the continued
23 capacity for political parties (Garrett, 1998; Amable et al., 2006; Allan and Scruggs, 2004;
24 Pontusson and Rueda, 2010), the electorate (Ward et al., 2011) and organised labour (Korpi
25 and Palme, 2003; Fichtenbaum, 2011) to determine public spending, social expenditure,
26 and/or welfare generosity, *despite* claims that global socio-economic constraints necessitate a
27 convergence upon the Anglo-Saxon liberal model. Similarly, those adopting the varieties of
28 capitalism approach have shown how global socio-economic pressure has different effects in
29 different institutional contexts, maintaining the distinction between coordinated market
30 economies and liberal market economies (Hall and Soskice, 2001; Hall and Gingerich, 2009;
31 Iversen, 2005; Jensen, 2011). The comparative political economy literature has reached a
32 consensus, according to which market-correcting political preferences, provided they are
33 expressed in a particular (institutional) form (for instance, by cohering with the institutional
34 requirements of coordinated capitalism), continue to play an important role in determining the
35 scale, scope, content and direction of change of contemporary socio-economic/welfare
36 models.
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The present article challenges this existent consensus within the comparative political economy literature on two counts. First, in contrast to the extensive research highlighting the continued viability of market-correcting political preferences (despite global socio-economic constraints), the article argues that it nevertheless remains the case that a qualitative change in the political, social and economic agenda of advanced industrial economies occurred at some point during the 1970s or early 1980s. Indeed, the occurrence of a transition across the advanced industrial democracies, from a Keynesian consensus embedded within the Bretton Woods system, to an ascendant neo-liberal reform agenda associated with the post-Bretton Woods global economy, is rarely questioned (Martins, 2011). Whilst divergent national institutional conditions may have prevented the emergence of a homogenous neoliberal race-to-the-bottom across the advanced industrial democracies (Plümper, Troeger and Winner, 2009), it nevertheless remains the case that most scholars agree we have entered a ‘silver age of permanent austerity’ (Ferrera, 2008), in which we witness a common agenda of *pressure for* retrenchment, liberalisation, flexibilisation and market-enhancement that is felt within each country (albeit resisted and mediated in different ways) (Huber and Stephens, 2001a; Allan and Scruggs, 2004). Given such consistent pressure, it is not clear whether market-correcting political preferences act to produce: (a) divergent outcomes in the light of common pressure (as the comparative political economy consensus tends to claim); (b) divergent pathways within a common overall trajectory of neoliberalisation (Hay, 2004); or (c) merely the *delaying* of an inevitable convergence of each national political economy upon a common (neoliberal) end point (Streeck, 2009)? Indeed, more recent empirical evidence focusing on the impact of global socio-economic constraints during the late 1990s and 2000s suggests that many of the findings highlighting the continued viability of market-correcting preferences were in fact premature in that the data they drew upon measured trends which took place during the early stage of globalization (up until the early 1990s). In contrast, more recent studies show, global socio-economic constraints have continued to grow from the early-1990s onwards, resulting in renewed pressure to adopt liberal or market-oriented policy reforms (Busemeyer, 2009; Jensen, 2011; Baccaro and Howell, 2011). These latter findings therefore tend to suggest both that global socio-economic pressure – which pushes national political economies towards convergence upon a liberal model - has heightened over time, and that this has therefore begun to restrict the viability of market-correcting policy alternatives in more recent years, in much the same way as was predicted by the initial (pessimistic) contributions to the comparative political economy literature in the 1990s. The present article therefore questions the scope for market-correcting policy preferences, as proclaimed within much of

the comparative political economy literature, especially once we control for the level of global socio-economic pressure.

Second, it is the claim of this article that in discussing the viability of market-correcting political preferences, the comparative political economy literature has focused almost exclusively on the expression of those preferences through ‘institutional’ forms of political activity. The comparative political economy literature has overwhelmingly focused on, what is termed in the contentious politics literature (Tilly, 2004), institutional (or what we can also refer to as ‘elite-oriented’), rather than innovative (or ‘elite-challenging’) types of political activity. Innovative forms of contention (such as popular protest) are commonly assumed to inhibit welfare retrenchment (see especially Pierson, 1994, 1996), but empirical research has focused on *institutional* veto points, such as parties (Amable et al., 2006; Finseraas and Vernby, 2011), trade unions (Korpi and Palme, 2003; Fichtenbaum, 2011), states (Tepe et al., 2010) and firms (Swenson, 2002, 2004)¹. This focus on institutional political activity is therefore of particular concern as it would appear that potentially important veto points have thus far been insufficiently studied. We can expect innovative, elite challenging, forms of contention to be especially resilient to (heightened) global socio-economic constraints, and therefore a more effective determinant of welfare reform than institutional forms of contention. Moreover, research highlights a correlation between welfare reform and the frequency of innovative, elite-challenging, forms of contention (Ponticelli and Voth, 2011), thereby further necessitating a study of the relationship between the two.

In sum, elite-challenging forms of protest are arguably both more likely to occur and more likely to be effective (in comparison with institutional, elite-oriented, forms of political activity) at times of heightened global socio-economic pressure. The absence within the literature of empirical analysis of the impact of elite-challenging contention upon welfare reform processes, especially under conditions of heightened global economic pressure, therefore, is both noteworthy and an omission to which this article responds.

2. Contesting welfare reform: the susceptibility to elite-level preference-shaping strategies and the role of disruption

On the basis of the foregoing discussion, two key questions are explored in the present article:
(1) *What effect, if any, do innovative, elite-challenging, forms of contention have upon the*

process of welfare reform? (2) To what extent does the relative efficacy of innovative, elite-challenging, forms of contention (compared with institutional, elite-oriented, forms) vary according to global socio-economic constraints?

In responding to these questions, we first consider in more detail the distinction between institutional and innovative forms of activity. Within the contentious politics literature (Tilly, 2004; for a similar distinction to that developed below, see also Marien et al., 2010), ‘institutional’ contention refers to activity incorporated within, acting to form part of, and/or regularized as part of the existing political system, such as electoral participation, party-political competition, or formal government consultation procedures. In seeking to work with, and within, existing power structures, this type of activity tends to be elite-oriented – in terms of both internal organisation and interactions with external actors and institutions. Internally, these forms of political activity tend to witness decisions centred around an organisational leadership. This is most obviously the case within political parties, in which a party leader (or leaders) take(s) responsibility for the key decisions, strategic direction, and representation of the organisation. Externally, institutional forms of political activity tend to witness attempts to work with, and within, existing power structures, for instance seeking to gain election to (and/or persuade) elite positions (and/or actors), in an attempt to pursue policy goals.

‘Innovative contention’ describes those forms of political activity that pose challenges to the existing political system by: (a) groups or individuals currently excluded from participation within the political system; and/or (b) those engaging in non-standard forms of political activity. These innovative forms of contention tend to include both *demonstrative* acts designed to illustrate the strength of public opinion and *disruptive* acts that seek to impose a particular agenda upon decision-makers through non-cooperation and obstructive dissent. Thus, innovative forms of contention might range from protests, marches and rallies, organized boycotts, and non-violent civil disobedience, to more radical forms of dissent such as the occupation of buildings and factories, rioting and other forms of violent protest. Innovative contention tends also to be elite-challenging, both internally and externally. Internally, innovative forms of political activity have tended to adopt a more ‘flat’, or ‘horizontal’, organisational form, in which participation in activities is encouraged by all organisation members, rather than being centred around its leaders. Externally, this activity seeks to oppose, disrupt or obstruct the actions of elite office holders, and is therefore elite-challenging.

This article argues that, at increasing levels of global socio-economic pressure to undertake welfare reform, we can expect actors participating in institutional forms of contention to become increasingly likely to capitulate to that pressure, compared with actors engaging in innovative contention. This, it is argued, is due to a greater proclivity for institutional actors to accede to elite pressure to conform to perceived global socio-economic requirements. We can assume that state office-holders (i.e. those who ultimately make the decision over whether to implement welfare retrenchment measures) are faced with a need to balance societal demands with sound macroeconomic performance, and will therefore seek to mitigate the degree to which these goals conflict (for classic statements along these lines, see Habermas, 1976; Offe, 1984). Sound macroeconomic performance is viewed here in terms of achieving global economic competitiveness², according to which, failure to maintain an equal capacity for production to that of rival national economies is likely to produce the following vicious circle: declining productive capacity → shrinking market share → declining returns → lower investment → declining productive capacity (Harvey, 2006, pp. 183-203). This vicious circle produces heightening pressure to increase productivity, typically through market-conforming measures such as privatisation, welfare retrenchment, and labour market deregulation, each of which are designed to lower the costs of production (and especially the wage share) (Glyn, 2006; Dumenil and Levy, 2004). These reforms are intended to increase the potential for investment and productivity, and thereby increase capacity for production, and thus have the potential to end the vicious circle outlined above³. In terms of welfare reform, therefore, welfare retrenchment can be considered to be prompted by a declining ability to compete within the global economy.

If we assume that welfare retrenchment measures are on average unpopular with the electorate, then at times of low economic performance we should expect to witness a coincidence of the following developments: (i) declining competitiveness; (ii) increased pressure to adopt welfare retrenchment measures; *and* (iii) heightened attempts by state office-holders to mitigate disparities between societal demands and perceived global economic requirements. Under such circumstances, this article argues, state office-holders are likely to adopt a 'preference-shaping' strategy, whereby attempts are made to seek an alignment between societal demands and those welfare reforms deemed necessary given the adverse global economic context. This preference-shaping strategy is considered within the literature to typically take the form of blame avoidance (Weaver, 1986; Hering, 2008) and/or depoliticisation (Burnham, 2001; Flinders and Buller, 2006). As a result, welfare reform

outcomes can be considered a product of *both* national competitiveness *and* the ability of state actors to shape societal preferences. Once we control for the constraints generated by global socio-economic competition, welfare reform outcomes are likely to depend on the susceptibility of societal demands to influence by the ‘preference-shaping’ strategies adopted by state office-holders.

The argument presented here anticipates that the effectiveness of state office-holders’ preference-shaping strategies will vary according to the extent to which veto point actors are engaged in *elite-challenging* forms of political activity. That is, participants in elite-oriented forms of welfare contention will be more susceptible to elite preference-shaping strategies than those engaged in elite-challenging contention. This is because the act of engagement with elite-oriented acts of contention engenders a susceptibility, on the part of those elite-oriented contentious actors, to accede to state office-holders’ preference-shaping strategies, as a result of the socialisation process that occurs during the course of participating in such elite-oriented activity (whereby participants become accustomed to adhering to elite decisions, arguments, discourse and instructions – whether those elites be state officials or contentious actors’ own organisational leaders). Such trends have been witnessed with many of the institutional veto points commonly studied within the comparative political economy literature, including centre-left parties (Bailey, 2009), trade unions (Voss and Sherman, 2000), and states (Carter, 2011), each of which are largely organised around an elite-oriented model (albeit to a greater or lesser degree). In contrast, and for the inverse reasons, participants engaging in *elite-challenging* forms of contention tend to be less susceptible to such attempts at preference-shaping. In those national political economies in which elite-oriented political activity prevails, we can expect to witness a greater readiness to adapt to political elites’ preference-shaping strategies than those in which elite-challenging forms of activity prevail.

Alongside this tendency for those engaged in elite-oriented forms of contention to acquiesce to elite demands more readily, we should also expect that the substantive acts undertaken by those engaging in elite-challenging forms of contestation will also be more effective in terms of influencing elite decisions. This relatively greater degree of efficacy is likely to increase when global socio-economic pressure to implement welfare retrenchment measures is heightened. Elites tend to view elite-oriented forms of contention as less challenging and less disruptive, and are therefore less willing to accede to their demands (especially in cases where pressure to reject demands are high). In contrast, the less malleable and containable nature of innovative, elite-challenging, forms of contention – provided they are carried out by

sufficiently large number of participants to avoid straightforward repression - are more likely to prompt concessions from policymakers seeking to maintain or bolster their own governing capacity (Piven and Cloward, 1979; Fording, 1997). For instance, in discussing protest patterns in China, Cai (2010) concludes that elite-challenging forms of contention tend to be more effective, 'where resistance usually takes place without discernible organizational bases or leaders', as this 'provides the advantage of unpredictability, which makes citizens' acts of resistance difficult to prevent and to negotiate' (pp.125-6). As a result, 'large-scale disruptive actions are effective because they pose a direct threat to local officials' images' (p.133). Institutional, elite-oriented, forms of contention therefore can be expected to become ineffective (or less effective) during times of poor relative economic performance within the global economy, as a result of both the tendency of their protagonists to accede to elite discourse that asserts the 'necessity' of retrenchment measures in response to heightened socio-economic constraints, and the greater level of disruption to elites' authority caused by elite-challenging contention. In contrast, elite-oriented contention is more easily ignored under heightened global economic pressure to do so. We should therefore experience more (less) effective resistance to welfare retrenchment pressures, once we control for global socio-economic constraints, within those contexts where elite-challenging (elite-oriented) veto points prevail.

Based on the foregoing discussion, therefore, we obtain the following hypotheses:

H1: Controlling for global socio-economic pressure, elite-challenging forms of contention will have more impact over welfare reform outcomes than elite-oriented forms.

H2: The relative efficacy of elite-challenging forms of contention in prompting increases in welfare generosity and/or inhibiting welfare retrenchment, compared with the impact of elite-oriented forms of contention, will increase under higher levels of global socio-economic pressure.

3. Method

The argument, hypotheses and questions outlined above are explored through pooled time-series cross-sectional (PTSCS) analysis for 18 OECD countries between 1973 and 2001. The countries that form the object of the study are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden,

Switzerland, UK, and US. The time period was chosen on the basis of data availability, and because it spans a period both before and after what many have identified as a point in the early 1980s when the previous period of welfare expansion moved into one of contraction (Allan and Scruggs, 2004: 505), marking a ‘new politics’ of welfare reform (Pierson 2001), during what has been referred to as the ‘silver age of permanent austerity’ (Ferrera, 2008). As the data extends beyond the early 1990s it is also able to go beyond the period that (as noted above) much of the earlier wave of comparative political economy literature was restricted to. The data therefore provides an opportunity to explore the effect of disruptive contention under conditions of increasing global socio-economic pressure for retrenchment over an extended period of time.

The key dependent variable of interest is the rate of change in welfare generosity, measured using the Scruggs (2005) Comparative Welfare Entitlements Dataset, which covers the period 1973-2002. This is an index combining values for unemployment replacement rates, pensions replacement rates and sickness benefit replacement rates. Rather than focus on separate replacement rates for pension, unemployment or sickness benefit schemes, the paper uses the aggregate of the three in order to capture more accurately policy decisions that result in welfare retrenchment (rather than merely the shifting of priorities between different types of benefits). In measuring the replacement rates and coverage of transfer payments, the dependent variable measures changes in generosity. This contrasts with a focus on social spending figures, which only give an indication of the level of spending (but which might vary as a result of changes to the numbers of claimants, rather than due to changes in actual policy) (see Scruggs, 2006; Korpi and Palme, 2003: 432; on this ‘dependent variable’ problem, see also Kühner, 2007). In regressing causal variables on the *rate of change in* (rather than levels of) welfare generosity, the regression analysis contained in the paper seeks to explain the extent to which a country undergoes welfare expansion/retrenchment and to identify factors that have the most impact upon these rates of change. Following Allan and Scruggs (2004, p. 505), this focus on the rate of change (first difference) in welfare generosity also addresses the problem of non-stationarity in the Scruggs dataset, whereby the mean and variance of the generosity levels are not constant over the range of the pooled time series. Finally, the dependent variable is smoothed into a three-year average ($t+1$, t , $t-1$) in order to identify changes in the medium-term direction of welfare reform (rather than simply picking up yearly fluctuations). This is a more plausible indication of the direction of welfare retrenchment as some policy reforms take immediate effect whilst others are delayed, due to

objections or difficulties associated with the decision-making and/or implementation process. In measuring the average change to welfare generosity over 3 years, therefore, the dependent variable captures the direction of welfare reforms as they are being decided over a number of years. The analysis assumes that it is plausible to consider the impact of contention (and a consideration for the capacity for contention) upon the immediate direction of welfare retrenchment (in this case, $t-1$, i.e. the year which the lagged independent variable actually refers to), as well as upon years in which implementation and execution of decisions taken come into effect (which might plausibly take up to two years, for instance in the case of changes to pension provisions and entitlements). The smoothing over three years of the dependent variable therefore enables the analysis to more accurately reflect both the trajectory of change and the plausible timescale over which independent variables are likely to impact upon that change. This is also confirmed by the consistently higher R^2 values produced by estimates using the 3-year smoothed dependent variable. All independent variables were lagged by one year in order to take additional account of the time between initial policy proposals and full implementation.

3. 1. *Contesting welfare reform and the problem with measuring contention effects*

Five key independent variables were used to measure forms of contention that might determine the rate of change in welfare expansion/retrenchment. It is anticipated that certain forms of contention will have an impact on the rate of welfare reform. We are nevertheless faced with a potential endogeneity problem in that we might *also* expect changes to welfare generosity to have an impact upon the tendency to undertake certain forms of contestation⁴. For instance, whilst on the one hand we might expect that protest is likely to inhibit welfare retrenchment, equally on the other hand we can also anticipate that welfare retrenchment is likely to prompt a rise in protest levels. Measuring the effect of political activity upon patterns of welfare generosity/retrenchment is therefore not straightforward. Moreover, as Baccaro and Howell (2011) note, with reference to data focusing on the frequency of (strike) acts, ‘low propensity to strike may be a consequence of low labor power, but also of high labor power, if the sheer threat of a strike leads employers to cave in’ (p.529). As a result, we are unlikely to be able to identify a direct association between individual instances of contention and trends in welfare retrenchment because the threat (but non-occurrence) of protest has as much potential to determine welfare reform outcomes as do protests that actually occur. Rather than focus on actual incidences of acts of contention, therefore, this study instead focuses on the *capacity* of a particular population to undertake different types of political activity. It was

argued above that decision-makers will seek to balance societal demands with the perceived requirements of sound macroeconomic performance, and that societal demands are most effective (and least manipulable) when expressed through innovative, elite-challenging, forms. As such, decision-makers must take into account the *likelihood* of welfare retrenchment initiatives clashing with societal demands, and especially those expressed in elite-challenging forms. This, it is claimed, will depend upon the extent to which such forms of contention have prevailed in previous years, as a particular repertoire of activity develops within each (national) population. Thus, as Tilly and Tarrow show, a range of forms of contentious activity exist at any one time, which a particular population can draw upon in responding to policy developments. This range is often finite and tends to consist of types of activity that people have engaged with in the past. Tilly and Tarrow refer to this range of types of activity as the ‘repertoire’ of contention: ‘on the whole, when people make collective claims, they innovate within limits set by the repertoire already established’ (Tilly and Tarrow, 2007, p. 16). It is this repertoire of *potential* responses, therefore, that decision-makers will need to consider in determining whether to adopt welfare retrenchment measures (and not necessarily the occurrence of these responses, which has a more complicated relationship with outcomes, as discussed above). Indeed, anecdotal observations would appear to support this claim. For instance, in the light of ongoing protests in France in 2009, Hall (2009) observed how the protests had been unanticipated and that their scale had subsequently forced the Sarkozy government ‘to come forward with €2.6bn in extra welfare payments and tax cuts for low income families’. In the light of these concerns, moreover, Hall noted that, ‘Mr Sarkozy was forced to backtrack on university reform, one of his flagship modernisation measures, *amid fears that a student protest movement led by the far left could turn violent*’ (emphasis added). Similar events occurred in France in the mid-1990s under the Juppe Government (Goldhammer 2013; see discussion below). There seems anecdotal evidence, therefore, that political elites consider the *likelihood* of elite-challenging responses when considering whether to implement reforms, resulting in either backtracking when those estimations are proven inaccurate by events or a pre-empting of such responses when considering whether and to what extent reforms are to be implemented. As a result, we focus here on the *capacity* to undertake particular forms of contention, rather than acts of contention themselves, as this is considered more likely to feature in the minds of office-holders as they decide whether or not to implement market-oriented welfare policy reforms. This therefore also produces a partial resolution to the potential endogeneity problem outlined above.

The five key independent variables considered in this study measure a range of repertoires of contention - both institutional and innovative. The institutional variables are partisan preferences, the 'mode of coordination' (Hall and Soskice 2001), and union density. Of these, we can consider partisan preferences to be the most elite-oriented of the forms of contention considered, as they relate solely to electoral participation and therefore have little role for political participation (beyond voting) or elite-challenging behaviour. Union density is considered to indicate more participatory forms of contention (as trade unions clearly contain a role for grassroots participation, both in terms of decision-making and organisational activities) and therefore measures the capacity for the most elite-challenging of the institutional forms of contention⁵. Finally, the mode of coordination is considered to be ranked between partisan preferences and union density in terms of its indication of capacity for elite-oriented/challenging forms of contention, as it provides an indication of interaction between both elites and non-elites. With regard to the innovative forms of contention, we consider both demonstrative and disruptive forms of contention, with the former considered more elite-oriented, for obvious reasons. The measures of each variable are outlined below.

3.2. Partisan preferences. These were measured by the left cabinet measure from Swank's (2005) Comparative Party Data Set, which is a typical measure of partisan preferences (*left_cab*). Whilst recent findings have identified the strength of right parties as having an additional impact upon welfare reform patterns (Allan and Scruggs, 2004), the present article is concerned with forms of contention, and especially the way in which they act as potential veto points inhibiting welfare retrenchment. As such, we focus here solely on the strength of left parties, rather than looking at both left and right parties, as right parties tend to advance welfare retrenchment.

3.3. Mode of coordination. In order to measure the impact of the mode of coordination within each country, the model included a dummy variable measuring whether the country in question is considered to be a coordinated market economy (*CME*). This dummy was based on the categorisation produced by Hall and Soskice (2001), although it also included France and Italy as CMEs. Alternative estimates were made using Hall and Gingerich's (2004) coordination index (*coordindex*), but without any substantive difference to the results (available upon request).

3.4. Capacity for industrial action. The capacity to engage in industrial action is measured on the basis of union density (Visser, 2006, table 3) (*uniondens*).

3.5. *Capacity for demonstrative and disruptive acts of innovative contention.* The capacity for a particular national population to engage in acts of innovative contention is measured using two variables. The capacity to undertake demonstrative forms of innovative contention is measured by the proportion of citizens within each country who had, according to the World Values Survey, at some point in their lives attended lawful demonstrations (*lawfuldem*). In contrast, the capacity to undertake disruptive forms of contention is measured by the proportion who had occupied buildings or factories (*occupied*). Thus, the variables measure the proportion of respondents in each country who answered 'have done' to the question (E027) [(E029)] in the World Values Survey. "Now I'd like you to look at this card. I'm going to read out some different forms of political action that people can take, and I'd like you to tell me, for each one, whether you have actually done any of these things, whether you might do it or would never, under any circumstances, do it. Attending lawful demonstrations [Occupying buildings or factories]". Participation in lawful demonstrations is a common form of protest in many countries and therefore represents a good proxy of the general proclivity to engage in demonstrative acts of innovative contention. Similarly, the occupation of buildings or factories is a common act of dissent, but one that has more potential disruption upon the intended target against whom protest is being voiced and also with associated risks of arrest. As such, the proportion of the population who have experience of occupying factories or buildings is used as a proxy measure to indicate the capacity of the population to undertake more disruptive acts of innovative contention. Not all countries participated in the World Values Survey in each wave, hence values given are those for the nearest (in time) to the wave of the survey conducted within that country. This clearly has associated problems in that some values are missing. However, the low levels of change to the values of the variables over time for most countries in part mitigates the impact of this potential limitation. Figures 1 and 2 show the spread of values for both these variables, and the appendix provides details of the survey wave used for each country-year.

Figure 1: Proportion of population who have attended lawful demonstrations

Figure 2: Proportion of the population who have occupied buildings or factories

3.6. *Global economic pressure.* In order to estimate the impact of constraints arising from global economic competition, the model includes a measure of divergence from average GDP growth since 1971 for each country-year (*divgrowth*). In addition to assessing the impact of annual growth rates upon welfare generosity (as is common for such studies), therefore, the present research seeks also to assess the impact of *relative* rates of growth over time. *divgrowth* therefore measures the divergence between the *cumulative* growth of each country since 1971 and the average *cumulative* growth for the 18 countries. This measure of global economic pressure, calculated as the divergence from average GDP growth since 1971, therefore indicates the degree of global economic pressure, generated by the need to be globally competitive, as it heightens over time. All GDP estimates are from the OECD Factbook (2010). Huber et al.'s (2004) measures for openness to trade (*opentrade*) (total trade as a percentage of GDP, in constant prices) and finance⁶ (*openfinan*) (which provide an indication of the extent to which a particular economy is 'globalized') are included in order to measure the hypothesised global socio-economic pressure arising from increased global competition and globalisation.

3.7. *Control variables.* A number of relevant control variables were introduced where existing studies suggest that they have a significant impact upon welfare generosity. These include: the level of unemployment (*unemp*) (using the UR unemployment rate from the CEP-OECD Institutions Data Set, or where that data isn't available using the UNEM total unemployment rate from the same data set) (see Castles, 2001, on the importance of unemployment to change in welfare generosity); a measure of electoral system proportionality is included, using the *singmemd* variable in Armingeon et al.'s (2011) *Comparative Political Data Set I: 1960-2009*; and a time dummy is included which measures whether the year measured is 1983 or later, in order to control for the structural break marked by the recession of the early 1980s, as noted by Allan and Scruggs (2004, p. 505).

Whilst concerns have been raised in recent contributions to the comparative political economy literature regarding the suitability of quantitative analysis, and PTSCS analysis in particular (Kittel and Winner, 2005; Plümper et. al, 2005; Shalev, 2007), the present article adopts a number of the techniques commonly employed to overcome these problems. In keeping with standard methodological practice within the political science literature, the typical problems associated with this approach (particularly heteroskedasticity across cross-sections) are tackled through the calculation of Beck and Katz (1995) panel-corrected standard errors (PCSE).

However, as Beck (2001) notes, when using the models we need to decide how to treat country units and variables that vary slowly over time. Thus, it is common to include a dummy variable for each country (or, 'unit effect'), in order to control for the effect of unmeasured variance within each country that might have an impact upon the response variable. The problem with this, however, is that it also risks concealing the impact of variables that are time invariant or vary slowly over time for each country. Thus, Beck concludes that, even if 'an *F*-test indicates that fixed effects are required, then researchers should make sure they are not losing the explanatory power of slowly changing or stable variables of interest' (p. 285). As a number of the variables measuring the capacity for different forms of contention are slowly changing, the paper reports PCSE estimates without unit effects (i.e. country dummies), bearing in mind the impact that the presence or absence of the unit effect might have upon the efficiency or bias of the variables under investigation. This is therefore in keeping with Beck's (2001) claim that 'if variables of interest are being lost because of the inclusion of fixed effects, the researcher must weigh the gains from including fixed effects against their costs ... it might be better to omit the fixed effects and suffer slight omitted-variable bias. Like most interesting issues, this is a matter of judgment, not slavish adherence to some 0.05 test level' (p.285). We return to this issue in the robustness analysis at the end of the paper.

4. Results

The results are reported in table 1. Column 1 reports the full basic model comparing the effects of each of the five key independent variables, and column 2 reports a restricted model including only those independent variables with significant predicted signs in model 1. As can be seen, the capacity to undertake the most elite-challenging forms of both institutionalised and innovative contention (i.e. union membership and occupations of buildings and factories) produce significant predicted effects upon the rate of change in welfare generosity. The results for models 1 and 2 confirm hypothesis 1, in that it is the variables measuring the capacity for the most elite-challenging of the forms of contention – *occupied* and *uniondens* – that are significant in both models. In contrast, both the other institutional variables (*left_cab* and *CME*) and the less elite-challenging form of innovative contention (*lawfuldem*) either fail to report significant estimates or have signs contrary to those predicted. In addition, the results illustrate the significant effect of global socio-economic pressure upon the process of welfare reform, with *divgrowth* being highly significant in both models 1 and 2. Thus, according to

model 1, an increase or decrease, by one standard deviation of divergence from average growth (13.35) is associated with an increase or decrease of 0.17 in the rate of change in welfare generosity (26 percent of one standard deviation of the rate of change). Whilst this is clearly a small figure in absolute terms, it should also be noted that annual changes in welfare generosity in the Scruggs (2005) dataset tend to be typically small (the mean of the dependent variable (3-year smoothed average of change in welfare generosity) is 0.172). Models 1 and 2 therefore confirm hypothesis 1, that controlling for global socio-economic pressure, elite-challenging forms of contention have more impact over welfare reform outcomes than elite-oriented forms.

Table 1: Regression estimates for change in welfare generosity

The aim in models 3-5 is to assess what impact global socio-economic pressure has upon the *relative* efficacy of alternative veto points (as set out in hypothesis 2). The study reports interaction effects between those independent variables that produced significant results in models 1-2 (*uniondens* and *occupied*) and variables measuring different types of global socio-economic pressure (*divgrowth*, *opentrade*, and *openfinan*). The aim is therefore to assess whether the impact of the two key independent variables changes at different levels of global socio-economic pressure – and how (if at all) that change creates differences between the impact of those two variables. If the effectiveness of particular forms of resistance is affected by the level of global socio-economic pressure, then we should expect significant interaction effects between *one* of the contention variables and the *divgrowth*, *opentrade*, and *openfinan* variables. A change in the relative difference between the two variables would produce one of two types of reported results: *either* a negative interaction between global socio-economic conditions and one (but not the other) of the contention variables (i.e. suggesting that the effect of the contention variable increases when socio-economic conditions deteriorate, and therefore that it becomes relatively *more* efficacious than the other contention variable), *or* a positive interaction effect between global socio-economic conditions and one (but not the other) of the contention variables (i.e. suggesting that the effect of the contention variable decreases when socio-economic conditions deteriorate, and therefore that it becomes relatively *less* efficacious than the other contention variable, which does not produce an interaction effect)⁷. As can be seen, for each of the models the interaction of *uniondens* and

the indicator of global socio-economic pressure produced significant interaction effects that signify a weakening of the effect of union density under conditions of greater socio-economic pressure. Model 3 reports a positive interaction effect for *uniondens*divgrowth*, indicating that the efficacy of union density declines at low levels of relative growth. Model 4 (and 5) reports a negative interaction effect for *uniondens*opentrade* (and *uniondens*openfinan*), indicating that the efficacy of union density is higher at lower levels of globalisation as measured by openness to trade (and openness to finance). In contrast, none of the models report significant interaction effects between *occupied* and the measures for global socio-economic pressure. As suggested by hypothesis 2, the relative efficacy of *occupied* (i.e. the most elite-challenging of the variables), as compared with that of *uniondens* (which due to its institutionalised character is more ambiguously elite-challenging, see discussion above (fn.5)), increases at heightened levels of global socio-economic pressure. This is illustrated in figures 3, 4 and 5. Figures 3-5 compares the effect size of one standard deviation change in *uniondens* and *occupied*, across the range of each variable measuring global socio-economic pressure in the dataset⁸. As we can see in figure 3, once *divgrowth* falls to around minus 5% (i.e. countries experience 5% less growth than average total growth since 1971), a one standard deviation increase in union density ceases to have a significant effect at the 5% level. Indeed, at severe levels of global socio-economic pressure (when *divgrowth* is -20% and below), union density is associated with welfare retrenchment (although as the confidence intervals illustrate, this is not significant at the 5% level), thereby confirming claims within the literature that unions commonly become responsible for agreeing and coordinating retrenchment measures when such activity is perceived as necessary in order to ensure sustained economic growth (Baccaro and Howell, 2011). Figures 4 and 5 present similar results. Figure 4 shows that for all values other than the lowest one-quarter of the range of values measuring globalisation in terms of trade, a one standard deviation change in *uniondens* ceases to have a significant effect at the 5% level. Moreover, for the upper half of values of trade globalisation we witness *uniondens* associated with declining levels of welfare generosity (although, again, as the confidence intervals display, this is not significant at the 5% level). Figure 5 shows that a one standard deviation change in *uniondens* fails to have an effect that is significant at the 5% level, for around the top twenty five percent of the range of values measuring financial globalisation in the dataset. In contrast, a one standard deviation change in *occupied* has a significant effect throughout the range of values of *divgrowth*, *opentrade*, and *openfinan*, as it produces no significant interaction effects when interacted with each of these variables.

Figure 6 confirms these results through scatter plots. Whilst it is not possible to present a diagram that controls for all of the variables in a multivariate analysis, nevertheless we can control for the most significant variables. The plots presented in figure 6 report only those instances in which relative economic growth (*divgrowth*) is below zero, unemployment is above average for the dataset (6.1%), and the time period is 1983 or later. This therefore reports results for the 111 country-years in which the conditions are most hostile towards welfare expansion and most pressing in terms of creating pressure for welfare retrenchment. As the scatterplots and fitted line show, under conditions in which the pressure for welfare retrenchment is highest, the capacity of the population to engage in occupations of factories and buildings correlates positively with welfare change (Spearman's $\rho=0.26$; $p<0.01$) (panel b), in contrast to no significant correlation for union density (Spearman's $\rho=-0.06$; $p=0.52$) (panel a). Perhaps most telling is the large number of country-years experiencing the highest level of welfare retrenchment (below -0.5) when union density is at its highest (above 70%) (panel a), compared with almost no instances of welfare retrenchment at this level once the rate of the population with experience of occupations exceeds around 3% (panel b). This therefore provides further support for the claim that the capacity for elite-challenging forms of contention is a significant veto point in the process of welfare reform and retrenchment.

Figure 3: The effect of 1 standard deviation change in key independent variables, conditional upon divergence from average cumulative growth for all 18 countries (*divgrowth*)

Figure 4: The effect of 1 standard deviation change in key independent variables, conditional upon openness to trade (*opentrade*)

Figure 5: The effect of 1 standard deviation change in key independent variables, conditional upon openness to finance (*openfinan*)

Figure 6: Elite-challenging contention and welfare change under low growth and high unemployment, post-1982

A similar interpretation of events can be gathered from the discussion of cases of welfare reform within the secondary literature. Perhaps most illustrative are those cases in which countries experienced prolonged pressure for welfare retrenchment. Figure 7(a) selects only those countries that witnessed sustained global socio-economic pressure to undertake welfare retrenchment measures (defined as those countries in which relative economic growth (*divgrowth*) is below zero, unemployment is above average for the dataset (6.1%), and the

time period is 1983 or later, *for three or more successive years*). It presents a scatter plot of the relationship between the divergence from the predicted level of welfare change⁹ and the propensity for disruptive contention (measured as the average percentage of the population who have reported occupying buildings or factories during those country-years), for each country experiencing sustained socio-economic pressure. These cases, and especially those of Sweden, Italy and France, are particularly illustrative. As figure 7(a) shows, the countries experiencing sustained global socio-economic pressure for retrenchment diverged from predicted welfare change in a way that suggests an association with the degree of capacity for disruptive contention, with the exception of France (1996-2001). In Sweden we witness a greater degree of welfare retrenchment than that predicted by the level of global socio-economic pressure, in a context characterised by a very low level of capacity for disruptive contention. As Anderson (2001) points out, countries such as Sweden with developed corporatist systems of interest-intermediation continue to see trade unions operate as ‘the principal defenders of the interests of welfare-state beneficiaries’. Under extreme conditions of socio-economic pressure for welfare retrenchment, as experienced by Sweden during the 1990s, trade unions have tended to acquiesce to that pressure – for reasons discussed above. As Anderson (2001) puts it, referring to Swedish welfare reforms during the 1990s, it is important to note ‘the role of Social Democratic politicians and unions in promoting welfare-state cutbacks that help to restore economic health. To the extent that labor leaders wanted to maintain the system in its current form, deficit reduction was a top priority’ (p. 1087). This confirms the notion of weak institutional, elite-oriented, veto actors discussed above.

Figure 7: Countries experiencing sustained high pressure for retrenchment

In Italy, in contrast, we witness welfare change that considerably exceeds that predicted by the global socio-economic context, with a population marked by a high capacity for disruptive contention. This also fits with observations in the secondary literature, which consider Italy to be a country with an advanced tradition of squatting and occupations in Italian Social Centres, which represent an important element in opposing neoliberal reforms. As Mudu puts it,

The importance of Social Centers within the movement opposing neoliberalist globalization processes lies in their ability to mobilize thousands of people in a snap. People take to the streets in their thousands even for local demonstrations, earnestly

and constantly committed to gaining fresh understanding and experimenting with what they have learnt in an effort to make available fresh social spaces and press for global political space (Mudu 2004: 933).

Whilst the direct impact of such instances of resistance are rarely recognised within the comparative political economy literature, the existence of a general opposition to neoliberal reforms amongst the Italian population, and the associated reluctance of political elites to impose such reforms, has been more commonly noted. For instance, Maino and Neri (2011) argue that Italy experienced considerable financial pressure to undertake welfare retrenchment measures throughout the 1990s, but that policymakers experienced ‘[d]ifficulties and hesitations’, largely resulting from previous opposition to proposed reforms, which ‘certainly slowed down this process of adjustment’ (p. 460). Finally, France also provides an important and illustrative case study. As figure 7(a) shows, France represented a significant outlier for the study. However, this outlier effect is largely produced by outcomes in three years (1996-8), which themselves can be plausibly associated with the effect of the Juppé reforms briefly discussed above. Figure 7(b) suggests that the Juppé reforms represented a miscalculation by the incumbent government, whereby it failed to correctly anticipate the capacity for disruptive contention that would meet the reforms proposed, and which prompted a subsequent return towards the trend from 1999 onwards. This is certainly the impression presented within the secondary literature. For instance, in discussing pension reforms in France, which has a population with a strong capacity for elite-challenging protest (figure 2), Goldhammer (2013) notes that the Juppé Government proposed ‘reform for public-sector pensions in 1995 ... only to have their well-laid plans upset by massive *and wholly unanticipated public protests* across France, *which imposed caution on subsequent reformers*’ (p. 139, emphasis added). Given such an interpretation, it is perhaps unsurprising that for the 1999-2001 period in France we see the return to a position that is much more in keeping with the trend.

5. Robustness Analysis

Whilst the use of measures of *the capacity for* protest, rather than incidences of protest itself, aims to mitigate the endogeneity problem discussed above, there remains the possibility that the estimates reported in table 1 continue to reflect an endogenous process. In short, the risk is that, rather than protest capacity inhibiting welfare retrenchment, we might instead be witnessing welfare retrenchment encouraging subsequent protest capacity, which in turn inhibits further welfare retrenchment. If this were to be the case it would be more difficult to

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3 associate the capacity for different types of contention with patterns of welfare reform, and
4 instead what we might be identifying in the estimates reported above is a self-limiting
5 capacity associated with welfare retrenchment itself, that occurs regardless of the capacity for
6 particular types of contention. In order to assess the extent to which this endogeneity problem
7 might limit the validity of the findings, a simple PTSCS analysis was estimated, measuring
8 the impact of the rate of change in welfare generosity upon levels of the capacity for
9 disruptive forms of innovative contention, including only a time variable and country
10 dummies as controls. A yearly time measure is included in this model, rather than a time-
11 break dummy as used in the other models, in order to account for the steady increase in
12 contention across the countries studied over time (Dodson, 2011). This identified a positive
13 correlation, significant at the 10% level ($p=0.089$), between the three-year average welfare
14 change (lagged by one year) and the proportion of the population who had occupied buildings
15 or factories. If the findings reported in the present paper had reflected an endogeneity
16 problem, we would have witnessed a negative correlation (i.e. a reduction in welfare
17 generosity would produce an increase in protest). We can therefore plausibly reject this
18 concern.
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21 As also noted in the discussion above, one of the limitations of PTSCS analysis remains the
22 question of whether to include or exclude unit-level fixed effects. Whilst their inclusion acts
23 to mitigate omitted variable bias associated with country effects that are not included in the
24 model (commonly included because country-effects remain unknown), it also prevents the
25 inclusion of time invariant variables and seriously obscures the effect of variables that change
26 slowly over time. Given that many of the key variables measuring the capacity for particular
27 forms of contention are slowly changing over time, the present paper has omitted unit-level
28 fixed effects from each of the estimations reported in table 1. The possibility remains,
29 however, that the results reported reflect omitted variable bias associated with country effects
30 that are correlated with the time invariant variables, rather than being an effect of the time
31 invariant variables themselves. As Beck (2001) argues, if we have no other way of measuring
32 such variables, then their inclusion instead of country-level fixed effects can be a more
33 accurate way of modelling the effects that we are interested in (that is, it is potentially better
34 to use time-invariant or slowly changing variables that vary across unit according to a variable
35 of interest rather than simply employing country-specific effects that have no substantive
36 meaning other than acting as country dummies). Whilst the model adopted is justified,
37 therefore, it remains the case that we might want to explore alternative models in order to
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assess the extent to which the estimates reported are potentially the result of omitted variable bias associated with country-level fixed effects. In order to assess this, three standard alternative estimations were run for model 1: pooled OLS (PCSE) including fixed effects (and excluding time invariant variables), and two alternative approaches (the Hausman-Taylor (HT) (1981) estimator and Plumper and Troeger's (2007) fixed effects vector decomposition (FEVD) method). Each of these models come with associated limitations (as of course do the pooled OLS results reported in the baseline model). The inclusion of fixed effects in the pooled OLS (PCSE) model seriously obscures the impact of the variance of slowly changing variables; the HT and FEVD approaches both rely on assumptions regarding the endogeneity/exogeneity status of the variables included in the model that are potentially impossible to confirm. Despite these limitations, the results of each of these alternatives suggest limited support for the key claim of the paper – that, of the different types of contention studied, the capacity for elite-challenging forms of contentious activity has the most efficacious impact upon welfare reform – but also suggest that more refined data measuring the changes in this variable over time is strongly desirable. Thus, once we include unit-level country effects in the pooled OLS model the *occupied* variable remains positively correlated with welfare change, but is now only significant at around the 15% level ($p=0.155$). Similarly in the Hausman-Taylor model *occupied* remains positive, but again only at around the 15% level ($p=0.144$). Finally, in the FEVD model, *occupied* remains positive but at no significant level. We are therefore unable to reject the null hypothesis at the 5% level of significance in each of the alternative estimations. Although we should note that for each of the three alternative models *occupied* continues to produce the smallest p-value of all of the five key independent variables. More refined specification of the capacity for contentious forms of protest activity would therefore clearly improve our ability to model and understand its effect over key comparative political economy and welfare outcomes, especially as *occupied* is a very slowly changing variable, in some instances relying on only one survey wave for the entire time-series.

Further, in an attempt to explore whether the results reported in table 1 were the product of unexplained unit effects, model 1 was also estimated with the two countries with the highest incidence of the key *occupied* variable (Italy and France) excluded in turn, with no substantive effect upon the results (in particular, *occupied* remained significant at the 5% level in both alternative estimates).

Finally, in order to assess the robustness of the results, all of the models were calculated using the alternative indicator for the institutional tradition of coordination (*coordindex*), with no substantive change in the results.

6. Conclusion

This article has argued that the comparative political economy literature has thus far focused predominantly on institutional, elite-oriented, forms of contention over welfare policy reform, at the expense of greater insight into the impact of more disruptive, innovative, or ‘elite-challenging’ forms of contention. In contrast, with regard to the viability of market-correcting policy preferences, it argues that the capacity for more disruptive, innovative and elite-challenging forms of contention to occur in response to welfare retrenchment measures has a more significant effect upon the politics of welfare reform. This is especially due to the tendency for institutional veto points to become ineffective (or less effective) under heightened levels of global socio-economic pressure, as their participants both accede to claims regarding the ‘necessity’ of retrenchment measures in the light of poor economic underperformance and are more easily ignored by elite decision-makers. This argument is confirmed by the results provided, which show that the capacity to undertake disruptive, elite-challenging forms of contention is both more consistently associated with the rate of change of welfare generosity than most other indicators measuring the capacity for veto actors to act *and* the only significant variable unaffected by heightened global socio-economic pressure.

These findings are of particular importance for ongoing strategic political debates regarding the most efficacious means of resisting welfare austerity and the viability of market-correcting political preferences in contexts characterised by heightened global socio-economic constraints. To return to the questions that introduced the article, whereas much of the comparative political economy literature has focused on institutional arrangements (and especially the variety of capitalism adopted within each country) in order to understand the trajectory of welfare reform, the present article suggests that the *extra*-institutional context (i.e. the degree to which non-institutionalised, elite-challenging, contention can be anticipated in response to proposals for welfare retrenchment) represents a potentially more accurate indicator of the feasibility of market-correcting political preferences. Institutional veto points, in contrast, appear to have no significant (or limited) impact upon global pressure for socio-economic/welfare regime convergence. The degree to which countries experienced sustained below-average growth relative to competitor countries represents a key factor in determining

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the level of welfare generosity change. The question remains, however, whether extra-institutional patterns of contention, whilst pushing up welfare generosity in the short term, might also be associated with lagging growth (and therefore longer term pressures for welfare retrenchment) over the longer term. The results presented here certainly suggest that this question merits further research. Other areas requiring further research include ways of measuring the capacity for particular types of contentious activity, the factors that prompt alternative types of contention, the perception of these types of contention by political elites, and the way in which they inform the socio-economic policymaking process. Finally, whilst the present paper does not directly focus on the experience of the post-2007/8 global economic crisis, and associated move towards austerity politics (especially within the EU periphery countries), it does suggest that the level of disruptive resistance witnessed and/or anticipated will have had (and continues to have) an impact upon the level of welfare retrenchment experienced. Whilst clearly not denying that significant instances of welfare retrenchment have taken place, we can note in countries such as Greece that the level of popular resistance to Troika-initiated spending cuts is such that the level of public spending reductions sought by the Troika have yet to be realised (Hope 2013). The study of the impact of popular resistance in the context of the post-2008 austerity agenda would also therefore benefit from further research. Each of these issues indicates the potential for further (and potentially highly fruitful) research, especially if it is driven by an engagement between the political participation, social movement, contentious politics and comparative political economy literatures.

Appendix: *WVS wave used for each country-year*

For Peer Review

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¹ See, for instance, Pierson (2001), the majority of contributions to which focus on partisan preferences (Kitschelt, 2001), national industrial policy traditions (Manow, 2001) and production regimes (Huber and Stephens, 2001b), and the role of trade unions (Rhodes, 2001)).

² Under conditions of heightened global competition we can anticipate that certain industries/national economies will struggle to compete, especially those with low levels of profit and therefore low capacity for investment.

³ Although each of these 'solutions' to declining productivity are also associated with additional problems, including potentially an exacerbation of declining profit rates (Kliman 2012).

⁴ I am grateful to the anonymous reviewers for highlighting this point.

⁵ Trade unions-based activity therefore generates contradictory expectations, in that it is both an institutionalised form of contention *and* (potentially) elite-challenging. Indeed, the literature generates alternative expectations. Much of the comparative political economy literature regards trade union density as a key indicator measuring the strength of labour within capitalist democracies (Korpi and Palme, 2003; Fichtenbaum, 2011) and identifies the potential for trade unions to have a significantly disruptive effect upon existing power relations (Cohen, 2006). We also see, however, a considerable range of literature identifying the contradictions generated within trade unions as a result of their mediating role between workers and employers, whereby the act of mediation itself necessitates compromise and moderation (Muller-Jentsch, 1985). We might, therefore, expect union density to be the most ambiguous of the contentious variables, and therefore potentially most sensitive to global economic pressure.

⁶ Calculated as: [CAPITAL: Liberalization of inward and outward capital account transactions, ranging from zero to four] x [CURRENT: Liberalization of inward and outward current account transactions, ranging from zero to eight] (data from Quinn, 1997).

⁷ The predicted direction of these interaction effects are as follows. Socio-economic pressure is considered to increase (and therefore deteriorate, in terms of the prospect for a generous welfare state) when *opentrade*, and *openfinan* increase. Socio-economic pressure is considered to decrease when *divgrowth* increases, as high *divgrowth* represents high relative growth compared to the other countries in the study. For contention variables that increase (reduce) their efficacy when global socio-economic conditions deteriorate, we should therefore see a positive (negative) interaction effect with *opentrade* and *openfinan*, and a negative (positive) interaction effect with *divgrowth*. In each case, a significant interaction effect for one (but not the other) of the key independent variables represents a change to the level of *relative* efficacy associated with changing levels of global socio-economic pressure.

⁸ For each figure, the model reported is model 2 (table 1) with the inclusion of the additional interaction variable. Effect size for *uniondens* is the marginal effect of the interaction variable, calculated using Stata's *margins* command, multiplied by one standard deviation for *uniondens*.

⁹ Calculated using average results of average divergence from predicted level of welfare change = average annual welfare change – average annual predicted welfare change for the country and period identified. Predicted welfare change was measured using a simple linear equation using the two main contextual independent variables from model 1 (table 1): (0.013*divgrowth – 0.036*unemployment), for each country-year identified.

Table 1: Regression estimates for change in welfare generosity

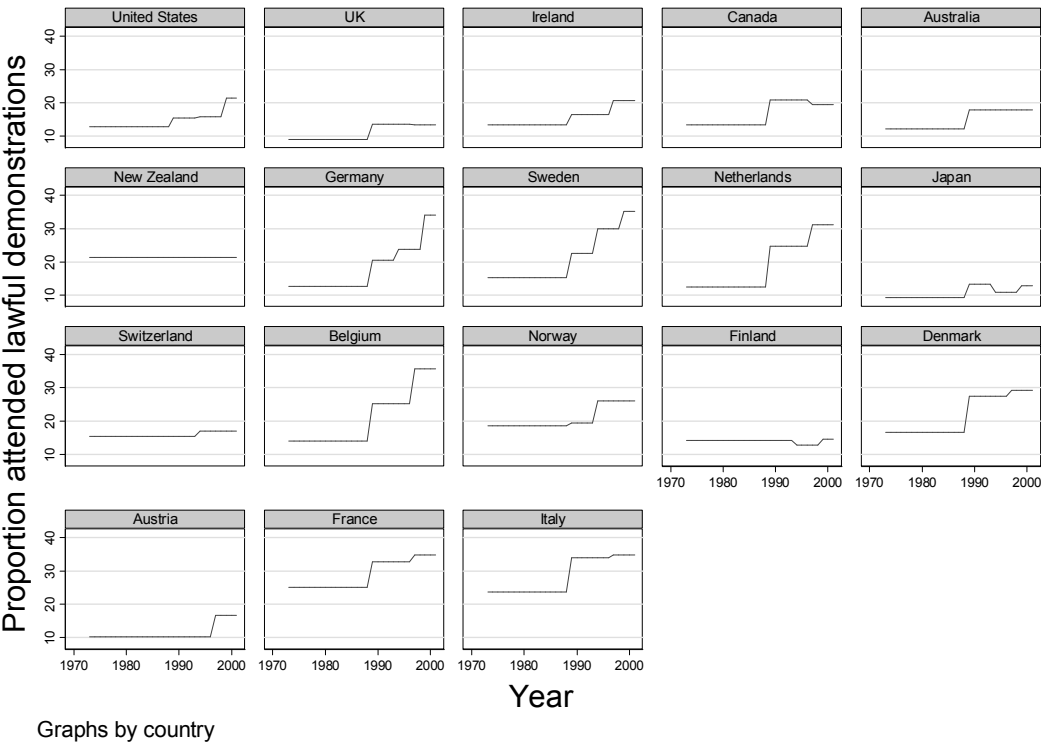
	(1)	(2)	(3)	(4)	(5)
left_cab	-0.0002				
CME	-0.1116				
uniondens	0.0044**	0.0028*	0.0045***	0.0105**	0.0161***
occupied	0.0778***	0.0275**	0.0329**	0.0047	0.0224
lawfuldem	-0.0134**				
<i>Controls</i>					
opentrade	0.0008	0.001	0.0006	0.0048**	0.0005
openfinan	0.0006	-0.0024	-0.0008	-0.0009	0.0217*
unemp	-0.036***	-0.0234**	-0.0247**	-0.0181	-0.0214*
singmemd	-0.0339	0.0288	0.0453	0.0156	0.0188
divgrowth	0.013***	0.0134***	0.0073	0.0145***	0.0141***
Δ GDP	-0.0359***	-0.0347***	-0.0344**	-0.0337**	-0.0341***
<i>Interaction</i>					
uniondens*			0.0002**		
divgrowth					
occupy*			-0.0016		
divgrowth					
uniondens*				-0.0001**	
opentrade					
occupy*				0.0005	
opentrade					
uniondens*					-0.0005***
openfinance					
occupy*					0.0005
openfinance					
Time dummy?	Yes	Yes	Yes	Yes	Yes
Country dummies?	No	No	No	No	No
R²	0.27	0.26	0.26	0.26	0.27

Note: *** p<0.01, ** p<0.05, * p<0.1. All estimates calculated using Beck and Katz (1995) panel corrected standard errors.

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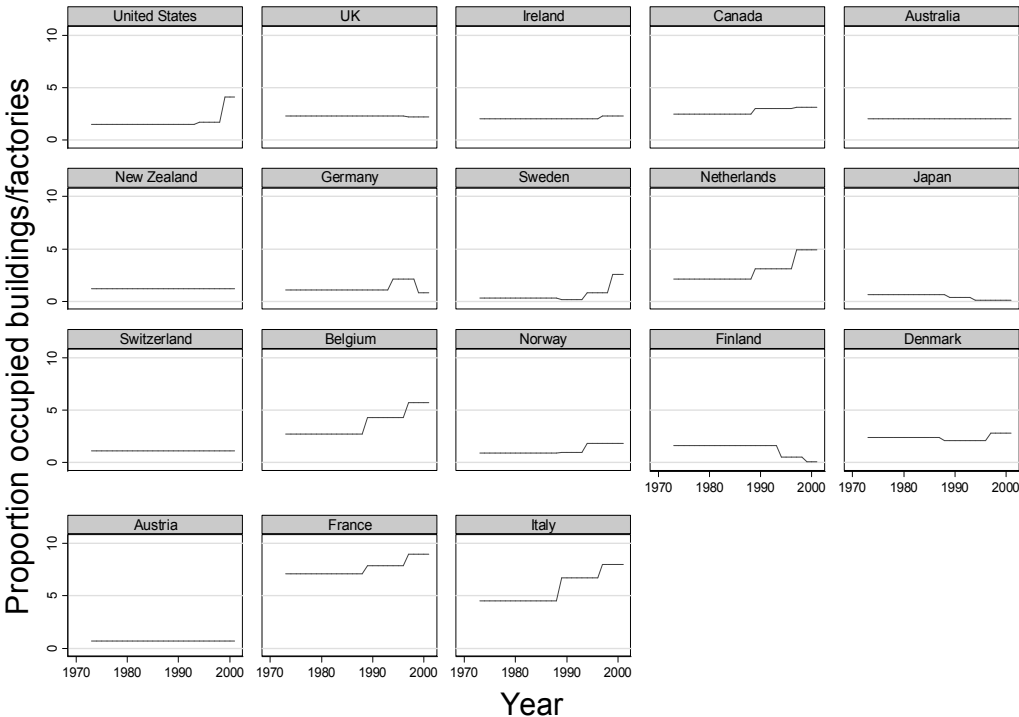
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Figure 1: Proportion of population who have attended lawful demonstrations



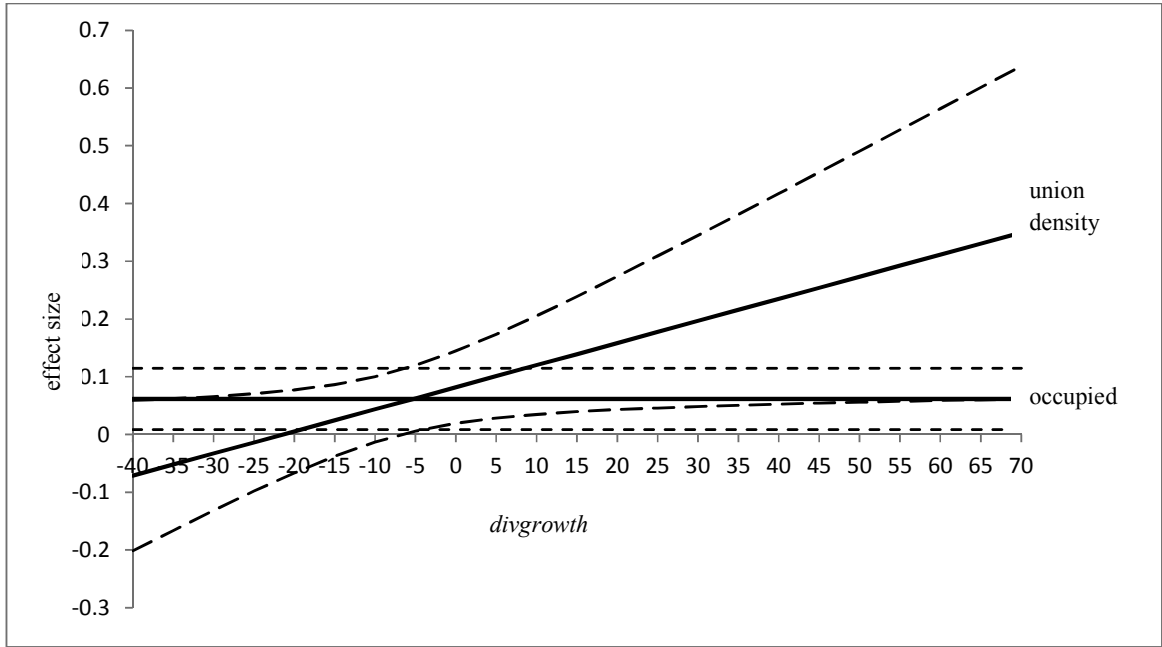
Source: World Values Survey

Figure 2: Proportion of the population who have occupied buildings or factories



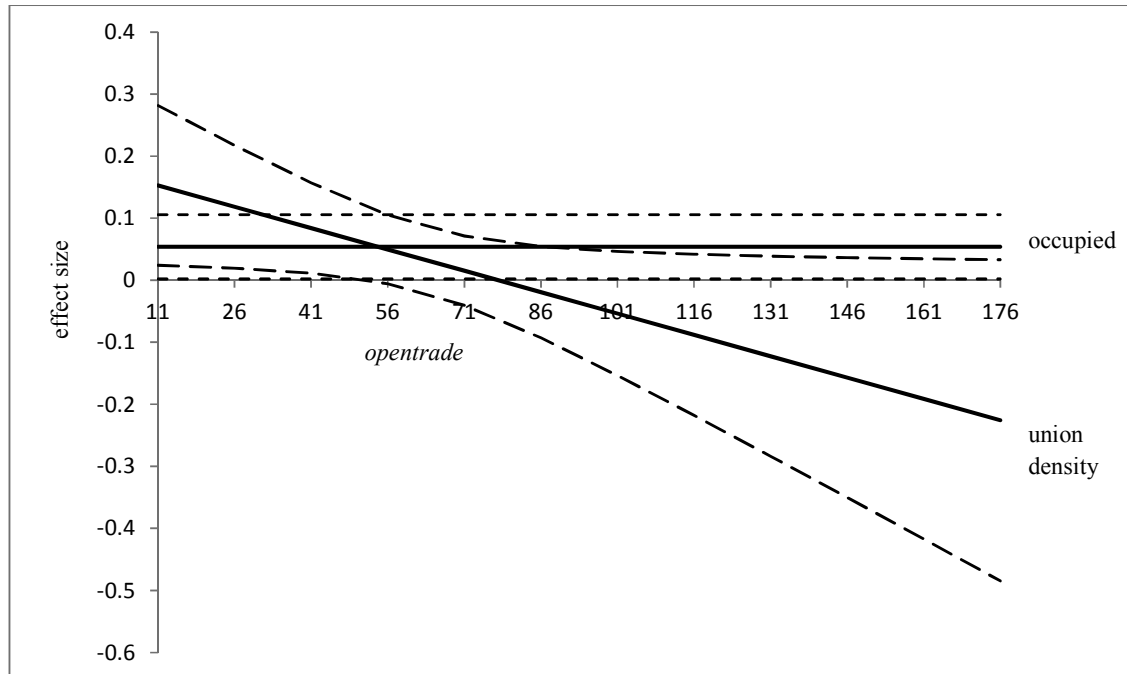
Source: World Values Survey

Figure 3: The effect of 1 standard deviation change in key independent variables, conditional upon divergence from average cumulative growth for all 18 countries (*divgrowth*)



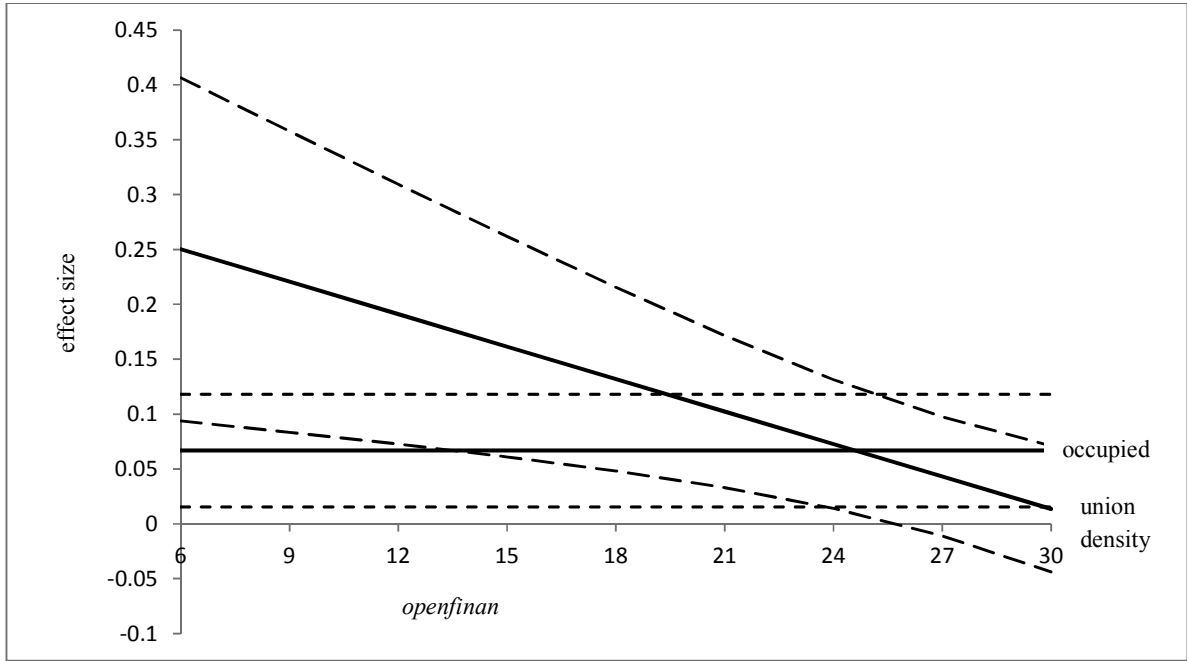
Note: Solid lines indicate the effect size of one standard deviation change in the independent variable upon change in welfare generosity, across the range of values for *divgrowth*. Dotted lines indicate 95 percent confidence intervals (long dash for union density, short dash for occupations of buildings and factories).

Figure 4: The effect of 1 standard deviation change in key independent variables, conditional upon openness to trade (*opentrade*)



Note: Solid lines indicate the effect size of one standard deviation change in the independent variable upon change in welfare generosity, across the range of values for *opentrade*. Dotted lines indicate 95 percent confidence intervals (long dash for union density, short dash for occupations of buildings and factories).

Figure 5: The effect of 1 standard deviation change in key independent variables, conditional upon openness to finance (*openfinan*)



Note: Solid lines indicate the effect size of one standard deviation change in the independent variable upon change in welfare generosity, across the range of values for *openfinan*. Dotted lines indicate 95 percent confidence intervals (long dash for union density, short dash for occupations of buildings and factories).

Figure 6: Elite-challenging contention and welfare change under low growth and high unemployment, post-1982

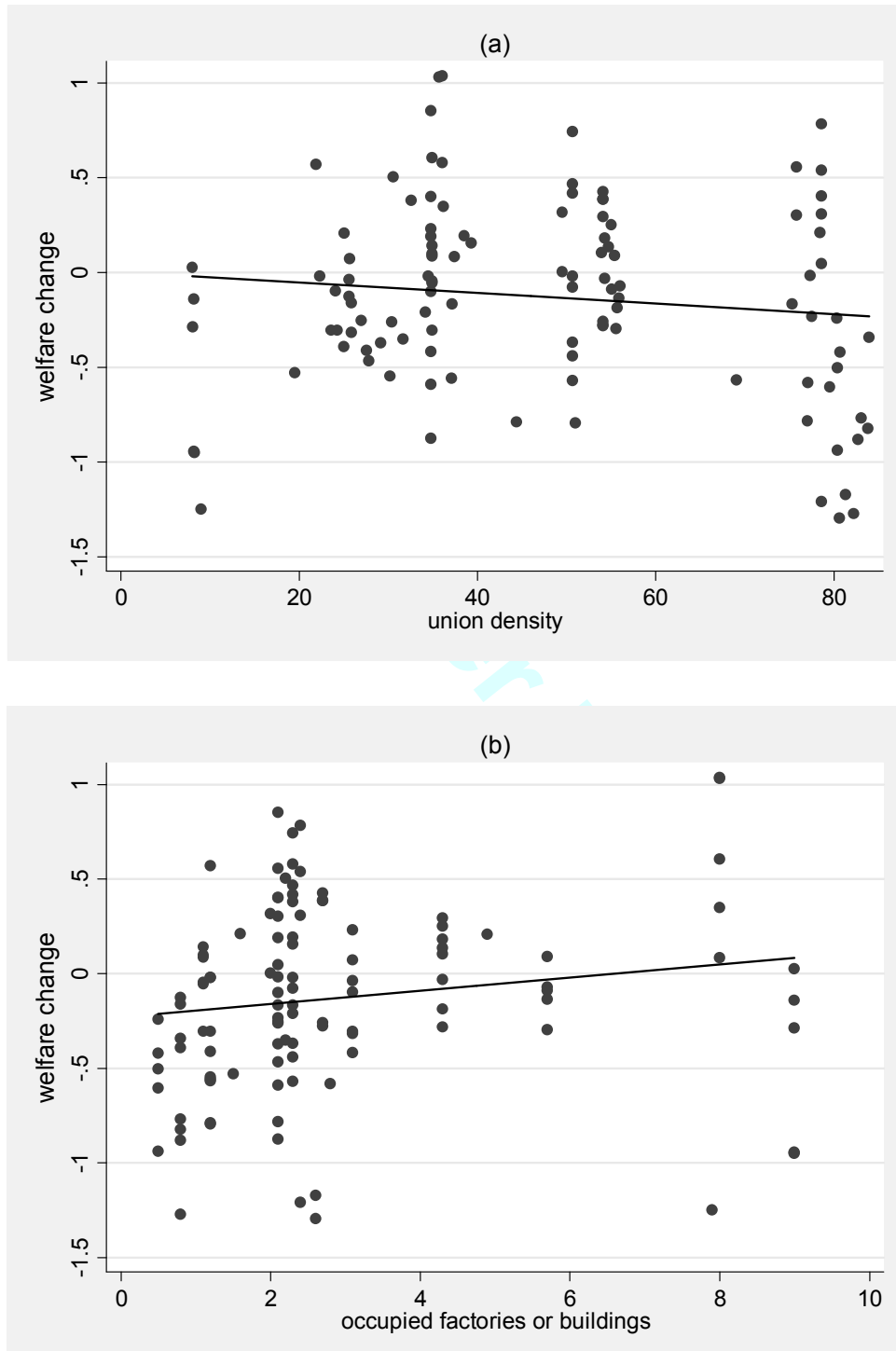
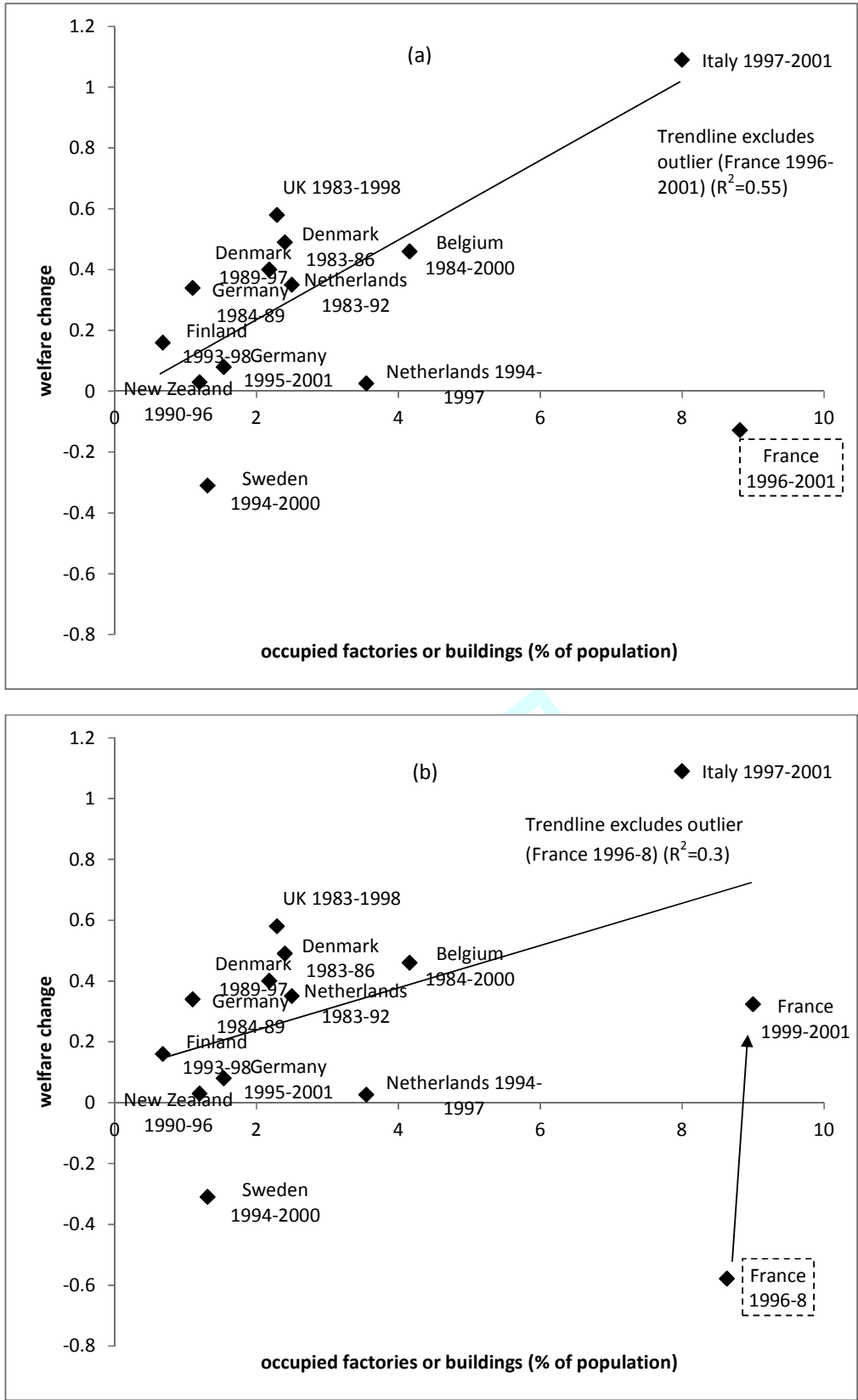


Figure 7: Countries experiencing sustained high pressure for retrenchment



Appendix: WVS wave used for each country-year

	wave 1	wave 2	wave 3	wave 4
Australia	1972-87		1988 - 2000	
US	1972-87	1988-92	1993-1997	1998-2000
UK	1972-87	1988-95		1996-2000
Ireland	1972-87	1988-95		1996-2000
Canada	1972-87	1988-95		1996-2000
New Zealand			1972-2000	
Germany*	1972-87	1988-92	1993-1997	1998-2000
Sweden	1972-87	1988-92	1993-1997	1998-2000
Netherlands	1972-87	1988-95		1996-2000
Japan	1972-87	1988-92	1993-1997	1998-2000
Switzerland**		1972-92	1993-2000	
Switzerland***			1972-2000	
Belgium	1972-87	1988-95		1996-2000
Norway	1972-87	1988-92	1993-2000	
Finland		1972-92	1993-1997	1998-2000
Denmark	1972-87	1988-95		1996-2000
Austria		1972-1995		1996-2000
France	1972-87	1988-95		1996-2000
Italy	1972-87	1988-95		1996-2000

Note: *West Germany only for waves 1 and 2; ** figures for lawful demonstrations; ***figures for occupations.